

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Brooks Township	County Newaygo
Fiscal Year End 3/31/07	Opinion Date 5/23/07	Date Audit Report Submitted to State 5/31/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SE  
X

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No recommendation letter issued.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Brickley DeLong PLC		Telephone Number 231-726-5800	
Street Address 316 Morris Avenue		City Muskegon	State MI
		Zip 49443	
Authorizing CPA Signature <i>Timothy D. Arter, CPA</i> for Brickley DeLong, PLLC		Printed Name Timothy Arter	License Number 10253

Brooks Township  
Newaygo County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended March 31, 2007

Brooks Township

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As management of Brooks Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Brooks Township for the fiscal year ended March 31, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### **FINANCIAL HIGHLIGHTS**

The Township's General Fund fund balance increased by \$86,206 primarily due to a decrease in public works projects.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Brooks Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues. The governmental activities of Brooks Township include general government, public works, and culture and recreation activities.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Brooks Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories-governmental funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Brooks Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Improvement Revolving Fund and Budget Stabilization Fund, which are considered major funds.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the Township's major funds.

**Government-wide Financial Analysis**

The first table presented below is a summary of the government-wide statement of net assets for Brooks Township for the last two years. Current asset were flat for the year. Current liabilities decreased due the payment of a large accounts payable for road work performed in the prior year. The Township's net assets from governmental activities totaled \$1,999,936. Net assets increased by \$90,272 primarily due to a decrease in road projects. The net assets are comprised of two parts, Invested in Capital Assets of \$1,128,397, which represent the net investment the Township has in fixed asset less accumulated depreciation. The balance of the net assets is unrestricted.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, office equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$871,539. This represents the amount of discretionary resources that can be used for general governmental operations.

**Net Assets**

	Governmental Activities 2007	Governmental Activities 2006
Current assets and other assets	\$ 871,539	\$ 884,324
Capital assets	1,128,397	1,137,840
Total assets	1,999,936	2,022,164
Current liabilities	-	112,500
Net assets		
Invested in capital assets	1,128,397	1,137,840
Unrestricted	871,539	771,824
Total net assets	\$ 1,999,936	\$ 1,909,664

**Governmental Activities**

Governmental activities net assets increased by \$90,272 during the 2007 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenues exceeded its operating expenses, resulting in an increase in net assets. Expenses related to general government expenses decreased during the year due to a drop in Board expenses and supervisor expenses. These decreases in expenses were partial offset by an increase in election costs. Public works decreased because the prior year included a large project.

**Change in Net Assets**

	Governmental Activities 2007	Governmental Activities 2006
Revenues:		
Program revenues		
Charges for services	\$ 82,260	\$ 60,146
General revenues		
Property taxes	93,401	89,439
Franchise fees	21,131	19,264
Grants and contributions not restricted	255,376	257,530
Unrestricted investment earning	34,900	24,951
Miscellaneous	17,376	21,681
Total revenues	504,444	473,011
Expenses:		
General government	279,033	301,899
Public works	54,220	251,133
Community and economic development	77,844	84,206
Culture and recreation	3,075	2,565
Total expenses	414,172	639,803
Change in net assets	90,272	(166,792)
Net assets - Beginning	1,909,664	2,076,456
Net assets - Ending	\$ 1,999,936	\$ 1,909,664

**Financial Analysis of the Government's Funds**

As stated earlier in this discussion and analysis, Brooks Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The General Fund had an increase in fund balance of \$86,206. This increase was the result of various departments coming in under budget for the year along with the Township not performing budgeted public works projects.

The other major funds are the Improvement Revolving Fund and the Budget Stabilization Fund. These funds both had increase in fund balance due entirely to investment earnings.

### General Fund Budget

During the current fiscal year, the Township made one significant budget amendment. The public works budget was decreased due to the anticipated road project being expended in the prior fiscal year.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Board expenditures were under budget due to a drop in legal and travel expenditures.
- Public works expenditures were under budget due to not completing anticipated projects and the budgeted amount including a contingency fund not used.

### Capital Assets

Brooks Township investment in capital assets for its governmental activities as of March 31, 2007 totaled \$1,128,397 (net of accumulated depreciation). The only changes in capital assets during the year were due to normal depreciation. This investment in capital assets includes land, buildings, land improvements, and office equipment.

#### Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities 2007	Governmental Activities 2006
Land	\$ 982,959	\$ 982,959
Buildings and improvements	138,223	142,472
Furniture and equipment	7,215	12,409
Total	<u>\$ 1,128,397</u>	<u>\$ 1,137,840</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

### General Economic Overview

The Township's 2008 General Fund budget anticipates a decrease in fund balance of \$125,000. This budget includes an additional \$100,000 for road work.

Early in fiscal year 2008, the Township loaned the Chain of Lakes Area Utilities Authority approximately \$21,000.

### Requests for Information

This financial report is designed to provide a general overview of Brooks Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brooks Township, P.O. Box 625, Newaygo, MI 49337, (231) 652-6763.



# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

May 23, 2007

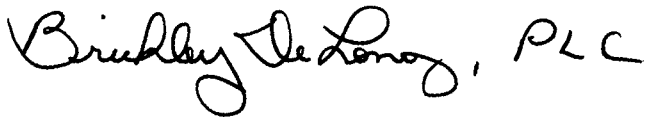
Township Board  
Brooks Township  
Newaygo, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Brooks Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brooks Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brooks Township, as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - v and 18 - 19 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Brooks Township  
**STATEMENT OF NET ASSETS**  
March 31, 2007

ASSETS

	<u>Governmental activities</u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$      5,082
Investments	812,010
Receivables	11,461
Due from other governmental units	<u>42,986</u>
Total current assets	871,539
 <b>NONCURRENT ASSETS</b>	
Capital assets, net	
Nondepreciable	982,959
Depreciable	<u>145,438</u>
Total noncurrent assets	<u>1,128,397</u>
Total assets	1,999,936

NET ASSETS

<b>NET ASSETS</b>	
Invested in capital assets	1,128,397
Unrestricted	<u>871,539</u>
Total net assets	\$ <u><u>1,999,936</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2007

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue Charges for services</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental activities</u>
Governmental activities			
General government	\$ 279,033	\$ 68,457	\$ (210,576)
Public works	54,220	8,753	(45,467)
Community and economic development	77,844	5,050	(72,794)
Culture and recreation	3,075	-	(3,075)
Total	<u>\$ 414,172</u>	<u>\$ 82,260</u>	(331,912)
General revenues			
Property taxes			93,401
Franchise fees			21,131
Grants and contributions not restricted to specific programs			255,376
Unrestricted investment earnings			34,900
Miscellaneous			17,376
Total general revenues			<u>422,184</u>
Change in net assets			90,272
Net assets at April 1, 2006			<u>1,909,664</u>
Net assets at March 31, 2007			<u>\$ 1,999,936</u>

The accompanying notes are an integral part of this statement.

Brooks Township  
**BALANCE SHEET**  
 Governmental Funds  
 March 31, 2007

	<u>General Fund</u>	<u>Improvement Revolving Fund</u>	<u>Budget Stabilization Fund</u>	<u>Total governmental funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,082	\$ -	\$ -	\$ 5,082
Investments	490,841	198,010	123,159	812,010
Taxes receivable	11,461	-	-	11,461
Due from other governmental units	42,986	-	-	42,986
Total assets	<u>\$ 550,370</u>	<u>\$ 198,010</u>	<u>\$ 123,159</u>	<u>\$ 871,539</u>
<b>FUND BALANCES</b>				
Reserved for capital projects	\$ -	\$ 198,010	\$ -	\$ 198,010
Unreserved				
Undesignated, reported in				
General Fund	550,370	-	-	550,370
Special revenue fund	-	-	123,159	123,159
Total fund balances	<u>\$ 550,370</u>	<u>\$ 198,010</u>	<u>\$ 123,159</u>	<u>\$ 871,539</u>

The accompanying notes are an integral part of this statement.

Brooks Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**  
March 31, 2007

Total fund balance—governmental funds	\$ 871,539
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$ 1,215,630	
Accumulated depreciation	<u>(87,233)</u>	<u>1,128,397</u>
Net assets of governmental activities in the Statement of Net Assets		\$ <u><u>1,999,936</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended March 31, 2007

	General Fund	Improvement Revolving Fund	Budget Stabilization Fund	Total governmental funds
REVENUES				
Property taxes	\$ 93,401	\$ -	\$ -	\$ 93,401
Licenses and permits	26,843	-	-	26,843
Intergovernmental revenues				
State	255,376	-	-	255,376
Local	7,500	-	-	7,500
Charges for services	67,320	-	-	67,320
Fines and forfeitures	475	-	-	475
Investment earnings	21,391	8,625	4,884	34,900
Other	18,629	-	-	18,629
Total revenues	490,935	8,625	4,884	504,444
EXPENDITURES				
Current				
General government	268,297	-	-	268,297
Public works	54,221	-	-	54,221
Community and economic development	77,844	-	-	77,844
Culture and recreation	3,075	-	-	3,075
Capital outlay	1,292	-	-	1,292
Total expenditures	404,729	-	-	404,729
Net change in fund balances	86,206	8,625	4,884	99,715
Fund balances at April 1, 2006	464,164	189,385	118,275	771,824
Fund balances at March 31, 2007	\$ 550,370	\$ 198,010	\$ 123,159	\$ 871,539

The accompanying notes are an integral part of this statement.

Brooks Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2007

Net change in fund balances—total governmental funds	\$	99,715
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$	(9,443)	
Capital outlay		<u>-</u>	<u>(9,443)</u>
Change in net assets of governmental activities	\$		<u><u>90,272</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Tax Collection Fund  
March 31, 2007

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>1,169</u>
<b>LIABILITIES</b>	
Due to other governmental units	\$ <u>1,169</u>

The accompanying notes are an integral part of this statement.



Brooks Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Brooks Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

***Reporting Entity***

The Township is a common law township governed by an elected five-member board. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Brooks Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued*

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Improvement Revolving Fund is used to accumulate assets for infrastructure projects.

The Budget Stabilization Fund is used to accumulate assets to be used to provide resources to the General Fund when needed.

Additionally, the Township reports the following fund type:

The fiduciary fund accounts for assets held by the Township on behalf of others in a fiduciary capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Brooks Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity*

**Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for real/personal property of the Township totaled approximately \$114,061,000. The ad valorem taxes levied consisted of .7986 mills for the Township's operating purposes. This amount is recognized in the General Fund.

Brooks Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Land improvements	20
Furniture and equipment	5-10

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Brooks Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

**NOTE C—DEPOSITS AND INVESTMENTS**

As of March 31, 2007, the Township had the following investments:

<b>Investment Type</b>	<u>Fair value</u>	<u>Weighted average maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Money Market Mutual Fund	\$ 268,059	1	not rated	36.7 %
Negotiable Certificate of Deposits	196,000	14	Aaa	26.9
U.S. Agency Bonds	<u>265,829</u>	<u>19</u>	Aaa	<u>36.4</u>
Total fair value	<u>\$ 729,888</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>11</u>		

Brooks Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Interest rate risk.** The Township investments policy limits investment maturities to three years. This policy is used as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Township has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township has more than 5% of its investments in the following securities:

Security	Total Investments
Federal Home Loan Mortgage Corporation Obligations	21.4%
Mercantile Bank of Grand Rapids Negotiable Certificate of Deposit	13.8%
Independent Bank Money Market Mutual Fund	33.8%
First Community Bank of Harbor Springs Negotiable Certificate of Deposit	6.9%
Federal National Mortgage Association Obligations	12.3%

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, the Township's entire bank balance of \$90,795 was insured.

**Custodial credit risk - investments.** The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Township is not authorized to invest in investments which have this type of risk.

Brooks Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	Additions	Deductions	Balance March 31, 2007
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 982,959	\$ -	\$ -	\$ 982,959
<b>Capital assets, being depreciated:</b>				
Land improvements	9,532	-	-	9,532
Buildings and improvements	169,107	-	-	169,107
Furniture and equipment	54,032	-	-	54,032
Total capital assets, being depreciated	232,671	-	-	232,671
<b>Less accumulated depreciation:</b>				
Land improvements	3,123	542	-	3,665
Buildings and improvements	33,044	3,707	-	36,751
Furniture and equipment	41,623	5,194	-	46,817
Total accumulated depreciation	77,790	9,443	-	87,233
Total capital assets, being depreciated, net	154,881	(9,443)	-	145,438
Capital assets, net	\$ 1,137,840	\$ (9,443)	\$ -	\$ 1,128,397

**Depreciation**

Depreciation expense was charged to the general governmental function.

**NOTE E—OTHER INFORMATION**

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property risk by participating in the Michigan Township Participation Plan (MMTP), a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium to MMTP for its insurance coverage. The MMTP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Brooks Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE E—OTHER INFORMATION—Continued**

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

**Jointly Governed Entity**

The Township is a member of the Chain of Lakes Area Utility Authority (Authority). The Township appoints two members to the Authority's governing board, which then approves the annual budget. The purpose of the Authority is to acquire, own, construct and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing six members. The participating communities are Brooks, Everett and Garfield townships. The Authority has outstanding debt of approximately \$6,310,000. The aforementioned townships have guaranteed the debt of the Authority in the event that the Authority is unable to make the debt payments. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Chain of Lakes Area Utility Authority, P.O. Box 456, White Cloud, MI 49349.

**NOTE F—PENSION PLAN**

The Township provides pension benefits for all of its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township utilizes John Hancock Retirement Plans to provide this benefit and is required to contribute an amount equal to 10 percent of the qualified employees' annual compensation each plan year. For the year ended March 31, 2007, pension expenditures were approximately \$9,000 including certain fees.

**NOTE G—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 53 percent of General Fund revenues.



## **REQUIRED SUPPLEMENTARY INFORMATION**

Brooks Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended March 31, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 94,665	\$ 94,665	\$ 93,401	\$ (1,264)
Licenses and permits	17,100	17,100	26,843	9,743
Intergovernmental revenues				
State	261,500	261,500	255,376	(6,124)
Local	-	-	7,500	7,500
Charges for services	58,600	58,600	67,320	8,720
Fines and forfeits	500	500	475	(25)
Investment earnings	8,100	8,100	21,391	13,291
Other	15,000	15,000	18,629	3,629
Total revenues	<u>455,465</u>	<u>455,465</u>	<u>490,935</u>	<u>35,470</u>
EXPENDITURES				
Current				
General government				
Board	103,460	103,460	82,191	21,269
Supervisor	21,195	21,195	17,883	3,312
Elections	9,415	11,015	8,228	2,787
Board of review	1,870	1,870	403	1,467
Clerk	53,795	53,795	50,061	3,734
Treasurer	44,285	44,285	39,110	5,175
Assessor	41,750	41,750	39,805	1,945
Township hall	29,805	29,805	30,616	(811)
Public works				
Infrastructure and projects	56,540	54,940	21,104	33,836
Roads	180,000	80,000	33,117	46,883
Community and economic development				
Planning commission	32,245	32,245	32,824	(579)
Other planning and zoning activities	46,105	46,105	45,020	1,085
Culture and recreation	5,000	5,000	3,075	1,925
Capital outlay	5,000	5,000	1,292	3,708
Total expenditures	<u>630,465</u>	<u>530,465</u>	<u>404,729</u>	<u>125,736</u>
Net change in fund balance	<u>\$ (175,000)</u>	<u>\$ (75,000)</u>	86,206	<u>\$ 161,206</u>
Fund balance at April 1, 2006			<u>464,164</u>	
Fund balance at March 31, 2007			<u>\$ 550,370</u>	

Brooks Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Budget Stabilization Fund  
For the year ended March 31, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Investment earnings	\$ 2,000	\$ 2,000	\$ 4,884	\$ 2,884
EXPENDITURES				
	-	-	-	-
Net change in fund balance	\$ <u>2,000</u>	\$ <u>2,000</u>	4,884	\$ <u>2,884</u>
Fund balance at April 1, 2006			<u>118,275</u>	
Fund balance at March 31, 2007			<u>\$ 123,159</u>	